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UNITED STATES
SECURITIES AND EXCHANGE
Washington, D.C.



ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL
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8-50460

REPORT FOR THE PERIOD BEGINNING 1/1/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

Brownstone Investment Group, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

55 Third Avenue

(No. and Street)

New York

(City)

New York

(State)

10017

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Douglas Lowey

(212) 661-6265

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Farkouh, Furman & Faccio, LLP

(Name — if individual, state last, first, middle name)

160 Park Avenue

New York

New York

10022

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not in residence in United States or any of its possessions.

PROCESSED

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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Douglas Lowey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brownstone Investment Group, LLC, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Officer

Title


Notary Public

REGINALD HALL
Notary Public, State of New York
Qualified in King County
Reg. #01HA6141696
My Comm. Expires 02/27/2010

This report** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Subordinated Borrowings.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) A reconciliation of net capital per original focus report to net capital.

***For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

BROWNSTONE INVESTMENT GROUP, LLC

REPORT ON STATEMENT OF
FINANCIAL CONDITION

FOR THE YEAR ENDED
DECEMBER 31, 2007

Farkouh
Furman & Faccio LLP
Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Members of
Brownstone Investment Group, LLC:

We have audited the accompanying statement of financial condition of Brownstone Investment Group, LLC (the "Company") as at December 31, 2007. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Brownstone Investment Group, LLC as at December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Farkouh Furman & Faccio LLP

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
February 25, 2008



BROWNSTONE INVESTMENT GROUP, LLC

STATEMENT OF FINANCIAL CONDITION
AS AT DECEMBER 31, 2007

ASSETS

Cash	\$ 1,724,171
Restricted cash.....	136,782
Securities owned, at market value.....	23,673,180
Due from broker.....	2,750,260
Dividends and interest receivable.....	468,673
Furniture, fixtures and equipment (less \$246,188 of depreciation).....	292,961
Leasehold improvements (less \$6,640 of amortization).....	170,849
Prepaid expenses.....	14,181
Other assets.....	22,700
	<u>\$ 29,253,757</u>

LIABILITIES AND MEMBERS' EQUITY AND CAPITAL ACCOUNT HOLDER

Securities sold, not yet purchased, at market value.....	\$ 17,632,180
Interest payable on securities sold short.....	342,049
Accounts payable and accrued expenses.....	47,036
	<u>18,021,265</u>
Members' equity and capital account holder.....	11,232,492
	<u>\$ 29,253,757</u>

The notes to the financial statement
are made a part hereof.

BROWNSTONE INVESTMENT GROUP, LLC

NOTES TO FINANCIAL STATEMENT

AS AT DECEMBER 31, 2007

ORGANIZATION AND NATURE OF BUSINESS:

Brownstone Investment Group, LLC (the "Company") is incorporated under the laws of the State of New York. The Company is registered as a broker-dealer in securities with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. The Company operates primarily to engage in high-yield debt securities transactions solely for its own account. Revenue is derived principally from trading profits executed for the Company's own account.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

METHOD OF ACCOUNTING - The accompanying financial statement has been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

MANAGEMENT'S USE OF ESTIMATES AND ASSUMPTIONS - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

REVENUE RECOGNITION - Securities transactions and the related revenue are recorded on a trade date basis, which is the day the transaction is executed.

CASH AND CASH EQUIVALENTS - Cash equivalents consist of highly liquid investments with original maturities of three months or less.

NEW ACCOUNTING PRONOUNCEMENT - In September 2006, the Financial Accounting Standards Board issued SFAS No. 157 ("SFAS 157"), "Fair Value Measurements". SFAS 157 defines fair value and establishes a framework for measuring fair value. It also expands the disclosures about the use of fair value to measure assets and liabilities. SFAS 157 is effective beginning the first fiscal year that begins after November 15, 2007. Management is currently evaluating the impact, if any, of the adoption of SFAS 157 on its financial statements.

SECURITIES - Securities owned and securities sold, not yet purchased are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

FURNITURE, FIXTURES, EQUIPMENT AND DEPRECIATION - Furniture, fixtures and equipment are recorded at cost. Depreciation for financial accounting purposes is computed on the straight-line method over their estimated useful lives of 5 to 7 years.

(Continued)

BROWNSTONE INVESTMENT GROUP, LLC

NOTES TO FINANCIAL STATEMENT

AS AT DECEMBER 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued):

LEASEHOLD IMPROVEMENTS AND AMORTIZATION - Leasehold improvements are recorded at cost. Amortization is computed over the life of the lease including the renewable option years.

INCOME TAXES - The Company is not subject to income taxes. Taxes, if any, are the responsibility of each individual member. Each member is required to report separately on their income tax return their distributive share of the taxable income or loss of the Company.

SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED:

Securities owned and securities sold, not yet purchased, at December 31, 2007 consist of:

	<u>Securities Owned</u>	<u>Securities Sold, Not Yet Purchased</u>
Corporate bonds.....	\$ 22,622,757	\$ 17,632,180
Equity securities.....	<u>1,050,423</u>	<u>-</u>
	<u><u>\$ 23,673,180</u></u>	<u><u>\$ 17,632,180</u></u>

The Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at December 31, 2007 at market value, and will incur a loss if the market value of the securities increases subsequent to December 31, 2007. The Company monitors its positions continuously to reduce the risk of potential loss due to changes in the market value.

(Continued)

BROWNSTONE INVESTMENT GROUP, LLC

NOTES TO FINANCIAL STATEMENT

AS AT DECEMBER 31, 2007

LEASE:

In December of 2005, the Company entered into a lease agreement (the "Lease") which commenced on June 2, 2006 and expires in May 2013. The Company has the option to extend the term for an additional five years. In connection with the Lease, the Company obtained an irrevocable letter of credit in favor of the landlord for the required security deposit of \$125,235. Restricted cash on the statement of financial condition is cash deposited with the issuer of the letter of credit as collateral.

The future annual lease payments are as follows for the year ended December 31:

2008.....	\$ 250,470
2009.....	260,211
2010.....	267,168
2011.....	267,168
2012.....	267,168
Thereafter.....	<u>111,320</u>
Total.....	<u>\$ 1,423,505</u>

CONCENTRATION OF CREDIT RISK:

At December 31, 2007, all the securities reflected in the statement of financial condition are positions held with one domestic broker. The clearing and depository operations for the Company's security transactions are provided by such broker.

At December 31, 2007, due from broker in the statement of financial condition represents the Company's net purchases of securities and cash collateral for its short positions. Substantially all securities owned, reflected on the statement of financial condition, are positions held by the clearing brokers.

During the course of the year ended December 31, 2007, the bank balances on occasion were in excess of the FDIC insurance limit of \$100,000.

(Continued)

BROWNSTONE INVESTMENT GROUP, LLC

NOTES TO FINANCIAL STATEMENT

AS AT DECEMBER 31, 2007

RETIREMENT PLAN:

The Company has a 401(k) profit sharing plan for all eligible employees. Contributions to the plan are made at the discretion of the employees. For the year ended December 31, 2007, the Company did not accrue a profit sharing plan contribution.

NET CAPITAL REQUIREMENTS:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2007, the Company had net capital of \$6,372,602, which was \$6,272,602 in excess of its required net capital of \$100,000. The Company's net capital ratio was .0611 to 1 at December 31, 2007.

RELATED PARTY TRANSACTIONS:

The Company has an office related expense sharing agreement with a related party that has common ownership and management. Amounts charged for year ended December 31, 2007 were:

Occupancy.....	\$	95,849
Employee compensation, benefits, and payroll taxes.....		50,000
Professional fees.....		32,582
Communications.....		15,691
Office expense.....		5,040
Furniture, fixtures and equipment		4,507
Other.....		2,516
Total.....	\$	<u>206,185</u>

SUBSEQUENT EVENTS:

Subsequent to December 31, 2007, members withdrew capital of approximately \$1,200,000.

(Continued)

BROWNSTONE INVESTMENT GROUP, LLC

NOTES TO FINANCIAL STATEMENT

AS AT DECEMBER 31, 2007

FURNITURE, FIXTURES AND EQUIPMENT:

The Company's furniture, fixtures and equipment at December 31, 2007 consist of the following:

Equipment.....	\$	280,428
Furniture and fixtures.....		180,944
Software.....		<u>77,777</u>
		539,149
Less accumulated depreciation.....		<u>(246,188)</u>
	\$	<u><u>292,961</u></u>

RULE 15c3-3:

The Company is exempt from the provisions of Rule 15c3-3 under paragraph (k) (2) (ii) in that the Company carries no customer accounts.

CONTINGENCIES:

On September 17, 2007, the U.S. District Court for the Southern District of New York (i) stayed litigation concerning a dispute between the Company and an individual capital account holder (the "Claimant") and (ii) compelled the dispute to arbitration before FINRA. On February 15, 2008, the Claimant filed a Statement of Claim with FINRA, in which he seeks damages based on the value of his alleged ownership interest in the Company. The Company and the individually-named respondents intend to defend themselves vigorously in the arbitration proceeding. At this early stage in the arbitration proceeding, no opinion can be made of the likelihood of an unfavorable outcome or an estimate as to the range of potential loss, if any.

The managing member has the option to pay departing members, and capital account holders, the balance of their capital accounts. At December 31, 2007, the managing member had not paid the Claimant's capital balance of \$944,000.